



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1667 (1955)

November 6, 1987

SUBJECT: Leasing of Inventory Farm Property

TO: All State Directors, State Directors-at-Large,
Farmer Program Chiefs, District Directors, and
County Supervisors, FmHA

Purpose/Intended Outcome:

The purpose of this Administrative Notice (AN) is to outline the policies for leasing inventory farms and clarify issues regarding problems identified in a recent Office of the Inspector General audit of Farmers Home Administration (FmHA) policies and procedures for managing and leasing acquired farm properties.

Comparison with Previous AN:

No previous AN has been issued on this subject.

Implementation Responsibilities:

FmHA Instruction 1955-B, Section 1955.66, states that leasing may be used as a management tool when it is clearly in the best interest of the Government. This means that a farm will be leased only when it can be determined that the lease is clearly in the Government's best financial interest. This decision will be made by the State Director on a case by case basis. Attachment 1 of this AN is provided as a guide in analyzing the financial cost/benefits of leasing a farm, but you may also use other worksheets to reflect this analysis.

The above determination does not apply in the following situations:

1. When required by FmHA Instruction 1955-C, Section 1955.109(c)(2), farms will be leased to previous owners or operators in accordance with Section 1955.66(c) without regard to leasing costs.
2. Leases of farm property in accordance with the Dwelling Retention Program as set forth in Section 1955.73 will continue without regard to financial impact.
3. Determinations of leasing costs are not required for leases of non-farm property or dwellings.

EXPIRATION DATE: September 30, 1988

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1955-B



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4. Existing leases which are determined not to be in the Government's best financial interest may be renewed only upon approval of the State Director. The approval must be based upon documentation which indicates that renewal is essential for the lessee to maintain a feasible operation for the ensuing crop year.

When it has been determined that a farm can be leased, the availability of the farm for lease must be advertised in accordance with Section 1955.66(h) of FmHA Instruction 1955-B, and the lessee selected in accordance with Section 1955.66(c).

Form FmHA 1955-20, "Lease of Real Property," or other forms approved by the Office of the General Counsel will be used for all FmHA farm inventory property that is leased. FmHA personnel will not allow anyone to use farm properties without a signed lease agreement.

The inventory property will be leased for an amount that represents the prevailing market rent in the area. The FmHA leasing official is responsible to ensure that the individuals who are operating the property have signed a lease agreement and are paying FmHA for the use of the property.



VANCE L. CLARK
Administrator

Attachment

INVENTORY FARM LEASE DETERMINATION WORKSHEET

This worksheet is to be used only to determine whether or not leasing an inventory farm is in the Government's best interest, as specified in FmHA Instruction 1955-B. All costs and income should be calculated on an annual basis.

Property ID# _____ Period of Lease _____

Formerly owned by: _____

A. ANTICIPATED INCOME FROM AGRICULTURAL LAND

1)crop acres _____ x rental rate/acre _____ = _____

2)% crop share _____ *estimated value _____ = _____

3)pasture units _____ x rental rate/unit _____ = _____

4)other _____ x rental rate/unit _____ = _____
describe other _____

5) _____ TOTAL (A1+A2+A3+A4) = _____

*document on reverse

B. ESTIMATED GOVT LEASING COST

*1)Total Deficiency Payments _____

*2)Total Diversion Payments _____

3)Prorated Costs of
Conservation Practices _____

4)Management Fees _____

5)Annual Land Maintenance _____

6)Other Costs/Fees _____

7)Total (B1+B2+B3+B4+B5+B6) _____

C. ESTIMATED COSTS IF NOT LEASED

1)Prorated Costs of
Conservation Practices _____

2)Annual Land Maint. _____

3)Management Fees _____

4) TOTAL (C1+C2+C3) _____

*From Form CCC-4776, obtained
from ASCS

D. SUMMARY

1)NET INCOME (A5-B7) _____ 2)COSTS IF NOT LEASED (C4) _____

_____ Line D1 is larger than D2, leasing is in the best financial
interests of the Government.

_____ Line D2 is larger than D1, leasing will result in a net cost,
the farm will not be leased.

Prepared by _____ Date _____
name/title